

**TOWNSHIP OF FOREST HOME**  
**ANTRIM COUNTY, MICHIGAN**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2004**

**AUDITING PROCEDURES REPORT**

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Forest Home Township	County Antrim
Audit Date 3/31/04	Opinion Date 5/26/04	Date Accountant Report Submitted to State: 9/20/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, of the report of comments and recommendations

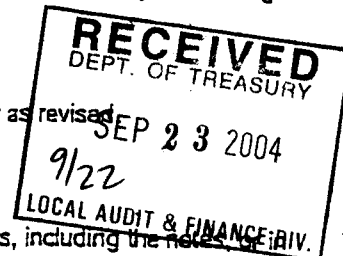
You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Keskine, Cook, Miller, Smith & Cook, LLP			
Street Address 100 West First Street	City Gaylord	State MI	ZIP 49735
Accountant Signature <i>Rachel Frisch</i>			



**TOWNSHIP OFFICIALS**

SUPERVISOR

TERRY SMITH

CLERK

SUZANNE MAHAN

TREASURER

THERESA KENT

**TRUSTEES**

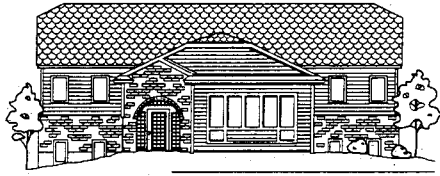
DEAN CRANDALL

SCOTT STEINER

**FOREST HOME TOWNSHIP**

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Keskin, Cook, Miller, Smith & Alexander LLP  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

May 26, 2004

To the Township Board  
Forest Home Township  
Antrim County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund and aggregate non-major fund activities of the Township of Forest Home, as of and for the year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, the major fund and aggregate non-major fund activity of the Township of Forest Home as of March 31, 2004, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note B, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 31, 2004.

The management's discussion and analysis on pages 3-5 and budgetary comparison information on pages 22-25 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*K. K. Cook Miller Smith & Alexander LLP*

KESKINE, COOK, MILLER, SMITH & ALEXANDER, LLP

Supervisor: Terry Smith  
Clerk: Suzanne C. Mahan  
Treasurer: Theresa Kent  
Trustee: Dean Crandall  
Trustee: Scott Steiner



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## **FOREST HOME TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED MARCH 31, 2004**

This section of Forest Home Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2004. Please read it in conjunction with the financial statements that immediately follow this section. These financial statements also include the activity of the Bellaire District Fire Authority, a component unit of the Township.

### **Financial Highlights**

Our financial status remained improved over the last year.

Overall revenues for the primary government were approximately \$480,000 of which \$16,600 is classified as program revenues, and \$463,400 is classified as general revenues (consisting primarily of state shared revenues and property taxes). Overall revenues for the Township's component unit (the Bellaire Fire Authority) approximated \$410,000. Overall expenses totaled approximately \$350,000 for the primary government and \$231,000 for the component unit. The activities of the Township have remained the same.

### **Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities. The remaining statements are fund financial statements, which focus on the detailed activities of the Township's funds.

The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

## **Government-Wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities and this is one method to measure the Township's financial health or position.

Over time, increases or decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider tax base changes and other various economic conditions.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the Township's funds. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following kinds of funds:

**Governmental Funds:** All of the Township's activities are classified in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that differences between the government-wide statements and the fund statements are disclosed to explain the difference between them.

*General Fund* – this fund accounts for all activities of the Township not required to be reported in a separate fund. Revenues consist primarily of property taxes and state shared revenues. Expenditures consist of general government activities, cemetery, building and grounds and street lights.

*Roads Fund* – this fund accounts for the road millage and road repair and maintenance expenditures.

*Ambulance Fund* – this fund accounts for the ambulance millage and payments to the Township Ambulance Authority.

## **Financial Analysis of the Township as a Whole**

**Net Assets** - the Township's net assets increased by \$133,574 during the year ended March 31, 2004 totaling at year-end \$1,619,357. The positive change in net assets is due primarily to an increase in property tax dollars, and reimbursements from the State of Michigan for tax collection services.



### **Capital Asset and Long-Term Debt Activity**

The Township capitalized \$2,609 for park improvements. Depreciation expense totaled \$2,376. The Bellaire Fire Authority, a component unit of the Township, purchased \$97,000 of fire protection equipment during the year and retired \$185,000 of old equipment.

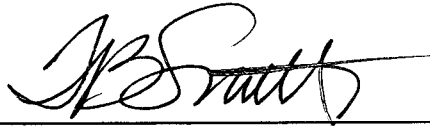
The Township has no outstanding long-term debt.

### **Known Factors affecting Future Operations**

None.

### **Contacting Township Management**

This financial report is designed to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have questions concerning this report, please contact any member of the Township Board at P.O. Box 317, Bellaire, MI 49615.

A handwritten signature in black ink, appearing to read "Terry Smith", is written over a horizontal line.

Terry Smith, Supervisor

**TOWNSHIP OF FOREST HOME  
STATEMENT OF NET ASSETS  
MARCH 31, 2004**

	<b>PRIMARY GOVERNMENT</b>	<b>COMPONENT UNIT</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 590,517	\$ 557,587
Investments	134,633	-
Accounts Receivable:		
Delinquent Taxes Receivable	23,737	-
Receivable from Tax Collection Fund	275,266	-
Due from Other Local Units of Government	-	71,793
Total Current Assets	1,024,153	629,380
<b>Non-Current Assets:</b>		
Capital Assets, Net of Accumulated Depreciation	602,369	975,074
Total Assets	1,626,522	1,604,454
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	7,165	-
<b>NET ASSETS</b>		
Invested in Capital Assets	602,369	975,074
Net Assets, Reserved for:		
Fire Protection	-	629,380
Road Repair and Maintenance	316,590	-
Net Assets, Unreserved	700,398	-
Total Net Assets	\$ 1,619,357	\$ 1,604,454

See accompanying notes to financial statements.

**TOWNSHIP OF FOREST HOME  
STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2004**

	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRI- BUTIONS	CAPITAL GRANTS & CONTRI- BUTIONS	NET REVENUE/(EXPENSES) AND CHANGES IN NET ASSETS	
					PRIMARY GOVERNMENT	COMPONENT UNIT
<b>GOVERNMENTAL ACTIVITIES:</b>						
Township Administration	\$ (112,105)	\$ 8,740	\$ -	\$ -	\$ (103,365)	\$ -
Ambulance Services	(65,072)	-	-	-	(65,072)	-
Assessing	(18,500)	-	-	-	(18,500)	-
Building and Grounds	(8,813)	-	-	-	(8,813)	-
Cemetery	(2,524)	-	-	-	(2,524)	-
Spring Clean Up	(27,280)	-	-	-	(27,280)	-
Fire Protection	(231,134)	-	71,959	-	-	(159,175)
Parks and Recreation	(15,946)	-	-	5,000	(10,946)	-
Road Repair and Maintenance	(82,942)	-	-	-	(82,942)	-
Zoning	(16,700)	2,880	-	-	(13,820)	-
Total Governmental Activities	(581,016)	11,620	71,959	5,000	(333,262)	(159,175)
<b>GENERAL REVENUES</b>						
Property Taxes:						
Levied for General Operating Purposes					127,315	-
Levied for Fire Protection					-	358,333
Levied for Ambulance Services					65,072	-
Levied for Road Repair and Maintenance					127,315	-
Property Tax Administration Fee					34,987	-
State Shared Revenue (not restricted to specific purpose)					94,560	-
Interest Earnings					12,763	7,275
Loss on Disposal of Assets					-	(28,500)
Miscellaneous					4,824	500
Total General Revenues					466,836	337,608
<b>Change in Net Assets</b>					133,574	178,433
<b>Net Assets - Beginning of Year</b>					1,485,783	1,426,021
<b>Net Assets - End of Year</b>					\$ 1,619,357	1,604,454

See accompanying notes to financial statements.

**TOWNSHIP OF FOREST HOME  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2004**

	<u>MAJOR FUNDS</u>		<u>NON-MAJOR FUND</u>	
	<u>GENERAL</u>	<u>ROADS</u>	<u>AMBULANCE</u>	<u>TOTAL</u>
<b>ASSETS</b>				
Cash and Equivalents	\$ 546,485	\$ 44,032	\$ -	\$ 590,517
Investments	-	134,633	-	134,633
Delinquent Taxes Receivable	10,358	8,854	4,525	23,737
Due from Other Funds	-	8,178	-	8,178
Due from Tax Collection Fund	154,373	120,893	-	275,266
Total Assets	<u>711,216</u>	<u>316,590</u>	<u>4,525</u>	<u>1,032,331</u>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Liabilities:</b>				
Due to Other Funds	8,178	-	-	8,178
Accounts Payable	2,640	-	4,525	7,165
Total Liabilities	<u>10,818</u>	<u>-</u>	<u>4,525</u>	<u>15,343</u>
<b>Fund Balance:</b>				
Undesignated	700,398	316,590	-	1,016,988
Total Liabilities and Fund Equity	<u>\$ 711,216</u>	<u>\$ 316,590</u>	<u>\$ 4,525</u>	<u>\$ 1,032,331</u>

See accompanying notes to financial statements.

**TOWNSHIP OF FOREST HOME  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2004**

<b>TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES (PER BALANCE SHEET - PAGE 8)</b>	<b>\$ 1,016,988</b>
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Amounts reported for governmental activities in the Statement of Net  
Assets (page 6) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not recorded in the funds	<u>602,369</u>
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<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF NET ASSETS - PAGE 6)</b>	<b><u><u>\$ 1,619,357</u></u></b>
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See accompanying notes to financial statements.

**TOWNSHIP OF FOREST HOME  
 STATMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 YEAR ENDED MARCH 31, 2004**

	<u>MAJOR FUNDS</u>		<u>NON-MAJOR FUND</u>	
	<u>GENERAL</u>	<u>ROADS</u>	<u>AMBULANCE</u>	<u>TOTAL</u>
<b>REVENUES</b>				
Current Property Taxes	\$ 127,315	\$ 127,315	\$ 65,072	\$ 319,702
State Shared Revenues	94,560	-	-	94,560
Charges for Services	46,574	-	-	46,574
Local Grants	5,000	-	-	5,000
Interest	5,933	6,830	-	12,763
Other	4,856	-	-	4,856
<b>Total Revenues</b>	<u>284,238</u>	<u>134,145</u>	<u>65,072</u>	<u>483,455</u>
<b>EXPENDITURES</b>				
General Government	181,230	-	-	181,230
Roads and Streets	3,373	79,569	-	82,942
Cemetery	2,524	-	-	2,524
Parks	18,347	-	-	18,347
Ambulance	-	-	65,072	65,072
<b>Total Expenditures</b>	<u>205,474</u>	<u>79,569</u>	<u>65,072</u>	<u>350,115</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	78,764	54,576	-	133,340
<b>Fund Balance - Beginning of Year</b>	621,634	262,014	-	883,648
<b>Fund Balance - End of Year</b>	<u>\$ 700,398</u>	<u>\$ 316,590</u>	<u>\$ -</u>	<u>\$ 1,016,988</u>

See accompanying notes to financial statements.

**TOWNSHIP OF FOREST HOME  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2004**

<b>NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS (PAGE 10)</b>	<b>\$ 133,340</b>
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Amounts reported for governmental activities in the Statement of  
Activities (page 7) are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives.	2,609
Depreciation expense is recorded in the Statement of Activities but not the fund financial statements.	(2,375)
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<b>CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF ACTIVITIES - PAGE 7)</b>	<b>\$ 133,574</b>
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See accompanying notes to financial statements.

**TOWNSHIP OF FOREST HOME  
STATEMENT OF FIDUCIARY NET ASSETS  
MARCH 31, 2004**

<b>ASSETS</b>		
Cash	\$	277,527
		<hr/>
<b>LIABILITIES</b>		
Due to Forest Home Township		275,266
Due to Others		2,261
		<hr/>
Total Liabilities		277,527
		<hr/>
<b>NET ASSETS</b>		
Fiduciary Net Assets	\$	-
		<hr/> <hr/>

See accompanying notes to financial statements.



**TOWNSHIP OF FOREST HOME  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED MARCH 31, 2004**

<b>ADDITIONS</b>	
Taxes, Penalties, and Interest Collected for Forest Home Township	\$ 514,229
Taxes, Penalties, and Interest Collected for Other Units of Government	3,117,549
	<hr/>
Total Additions	3,631,778
	<hr/>
<b>DEDUCTIONS</b>	
Taxes, Penalties, and Interest Distributed to Forest Home Township	514,229
Taxes, Penalties, and Interest Distributed to Other Units of Government	3,117,549
	<hr/>
Total Deductions	3,631,778
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Change in Fiduciary Net Assets	-
	<hr/>
Fiduciary Net Assets - Beginning of Year	-
	<hr/>
Fiduciary Net Assets - End of Year	\$ -
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See accompanying notes to financial statements

**TOWNSHIP OF FOREST HOME  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2004**

**NOTE A: ENTITY**

The Township of Forest Home is a general law township of the State of Michigan located in Antrim County, Michigan. It operates under an elected board and provides service to its residents in many areas including law enforcement, community enrichment and human services.

The criteria for determining the various governmental functions to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of the Township of Forest Home.

**COMPONENT UNIT**

Forest Home and Kearney Townships have created the Bellaire District Fire Authority (a joint venture). The Fire Authority is audited under separate cover. Forest Home Township acts as the oversight unit. As a result, activities of the Fire Authority are recorded as a component unit in the financial statements of Forest Home Township. Financial statements for the Bellaire District Fire Department are located at 321N. Bridge Street, Bellaire, MI 49615.

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**INTRODUCTION**

The accounting and reporting framework and the more significant accounting principles and practices of Forest Home Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of Forest Home Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On April 1, 2003, the Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus.

**TOWNSHIP OF FOREST HOME  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION**

***Government-Wide Financial Statements***

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities.

Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. At this time, the Township has no business-type activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

***Fund Financial Statements***

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**TOWNSHIP OF FOREST HOME  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION  
(CONTINUED)**

**FUND TYPES AND MAJOR FUNDS**

***Governmental Funds***

The Township reports the following major governmental funds:

*General Fund* - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other inter-governmental revenues.

*Roads Fund* – This fund is used to account for the financial activity related to the repair and maintenance of Township roads. Revenues are derived primarily from property taxes.

The Township records the following non-major fund: Ambulance.

***Other Funds***

*Fiduciary Funds* - These funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

**TOWNSHIP OF FOREST HOME  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)**

***Government-Wide Financial Statements***

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments.

Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

***Governmental Fund Financial Statements***

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2003, are recorded as revenue in the current year. The Township's taxable value for the 2003 tax year totaled \$132,734,886.

**TOWNSHIP OF FOREST HOME  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)**

The tax rates for the year ended March 31, 2004, were as follows:

<b>PURPOSE</b>	<b>RATE/ASSESSED VALUATION</b>
General	0.9598 mills per \$1,000
Fire (Voted Special Assessment)	1.5000 mills per \$1,000
Road (Voted)	0.9598 mills per \$1,000

**BUDGET**

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level. Budgets as adopted end on March 31 of each year. There are no carryover budget items.

**CAPITAL ASSETS AND DEPRECIATION**

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Computers and peripherals	1 – 3 years
Office furniture	5 – 20 years
Township vehicles	4 – 7 years
Buildings and improvements	25 – 40 years
Land improvements	10 – 20 years
Machinery and equipment	5 – 10 years
Fire Dept. vehicles	20 years
Fire Dept. equipment and peripherals	25 – 30 years

**TOWNSHIP OF FOREST HOME  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**CAPITAL ASSETS AND DEPRECIATION (CONTINUED)**

Land and construction in progress are not depreciated.

For information describing capital assets, see Note D.

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND  
DISCOUNTS/PREMIUMS**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

At this time, the Township has no outstanding long-term debt.

**USE OF ESTIMATES**

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgements of management with consideration given to materiality. Actual results could differ from those estimates.

**NOTE C: CASH AND INVESTMENTS**

Cash consists of bank accounts and certificates of deposit.

In order to maximize interest earnings, the Township combines the General and Roads Fund cash into one common account. The respective balances at March 31, 2004 are as follows:

	<u>CARRYING AMOUNT</u>
General	\$ 546,485
Roads	44,032
Total	<u>\$ 590,517</u>

All cash deposits are maintained in financial institutions in Northern Michigan. The Township's deposits are categorized to give an indication of the level of risk assumed by the Township at fiscal year-end. The categories are described as follows:

**TOWNSHIP OF FOREST HOME  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2004**

**NOTE C: CASH AND INVESTMENTS (CONTINUED)**

- Category 1 – Insured or collateralized with securities held by the Township or by its agent in the Township's name.  
Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.  
Category 3 – Uncollateralized.

	<u>BANK BALANCE</u>	<u>1</u>	<u>CATEGORY 2</u>	<u>3</u>	<u>CARRYING AMOUNT</u>
Common Acct.	\$ 591,630	\$ 200,000	\$ -	\$ 391,630	\$ 590,517
Fire Acct.	558,685	100,000	-	458,685	557,587
Total	<u>\$1,150,315</u>	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 850,315</u>	<u>\$1,148,104</u>
Trust & Agency	<u>\$ 283,418</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 183,418</u>	<u>\$ 277,527</u>

The Township also maintains two certificates of deposit totaling \$134,633 in the Road Fund. The entire balance is uncollateralized.

**NOTE D: CAPITAL ASSETS**

	<u>CAPITAL ASSETS NOT DEPRECIATED</u>	<u>CAPITAL ASSETS DEPRECIATED</u>			
	<u>Land</u>	<u>Buildings</u>	<u>Machinery &amp; Equipment</u>	<u>Vehicles</u>	<u>Totals</u>
<b>Governmental Activities</b>					
<i>Capital Assets</i>					
Balance, April 1, 2003	\$ 554,900	\$ 293,380	\$ 134,720	\$ 1,145,559	\$2,128,559
Increases	-	-	42,885	56,848	99,733
Decreases	-	-	-	(184,853)	(184,853)
Balance, March 31, 2004	<u>554,900</u>	<u>293,380</u>	<u>177,605</u>	<u>1,017,554</u>	<u>2,043,439</u>
<i>Accumulated Depreciation</i>					
Balance, April 1, 2003	-	119,640	45,023	336,794	501,457
Increases	-	7,584	6,378	49,930	63,892
Decreases	-	-	-	(99,353)	(99,353)
Balance, March 31, 2004	-	<u>127,224</u>	<u>51,401</u>	<u>287,371</u>	<u>465,996</u>
<i>Capital Assets, Net</i>	<u>\$ 554,900</u>	<u>\$ 166,156</u>	<u>\$ 126,204</u>	<u>\$ 730,183</u>	<u>\$1,577,443</u>

Of the above totals, \$602,369 represents the capital asset of the primary government, and \$975,074 represents the capital assets of the Bellaire Fire Authority, a component unit of the Township.



**TOWNSHIP OF FOREST HOME  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2004**

**NOTE D: CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions of the Township as follows:

***Governmental Activities***

Fire (component unit)	\$ 61,516
Parks	208
Buildings and Grounds	<u>2,168</u>
Total	<u>\$ 63,892</u>

**NOTE E: FUND BALANCE/NET ASSETS**

**CALCULATION OF BEGINNING NET ASSETS**

The Township adopted GASB Statement No. 34 effective April 1, 2003. The following represents the reconciliation of the Townships fund balance as of April 1, 2003, to its beginning net assets balance, as presented in the Statement of Activities, for the year ended March 31, 2004:

	<u>PRIMARY GOVERNMENT</u>	<u>COMPONENT UNIT</u>
Total Fund Balance, April 1, 2003	\$ 888,648	\$ 401,054
Record capital assets	649,804	1,478,755
Record accumulated depreciation	( 47,669)	( 453,788)
Beginning Net Assets, April 1, 2003	<u>\$ 1,485,783</u>	<u>\$ 1,426,021</u>

**NOTE F: CONTINGENCIES**

**INSURANCE**

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participating plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

**TOWNSHIP OF FOREST HOME**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED MARCH 31, 2004**

	<b>ORIGINAL BUDGET</b>	<b>FINAL AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FROM FINAL AMENDED BUDGET</b>
<b>REVENUES</b>				
Current Property Taxes	\$ 123,039	\$ 123,039	\$ 127,315	\$ 4,276
State Shared Revenues	84,606	84,606	94,560	9,954
Charges for Services	41,201	41,201	46,574	5,373
Local Grants	-	-	5,000	5,000
Interest	12,934	12,934	5,933	(7,001)
Other	11,675	11,675	4,856	(6,819)
<b>Total Revenues</b>	<b>273,455</b>	<b>273,455</b>	<b>284,238</b>	<b>10,783</b>
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
<b>Township Board:</b>				
Wages	5,000	5,000	2,720	2,280
Social Security	6,500	6,500	5,896	604
Office Supplies	7,500	7,500	4,247	3,253
Data Processing	12,000	12,000	3,947	8,053
Legal and Professional	25,000	25,000	7,740	17,260
Audit	4,000	4,000	-	4,000
Education	6,000	6,000	755	5,245
Pension	15,000	15,000	10,913	4,087
Printing and Publishing	10,000	10,000	1,440	8,560
Bonds and Insurance	6,000	6,000	5,790	210
Dues and Memberships	3,500	3,500	2,145	1,355
Spring Clean-Up Expenses	-	-	27,280	(27,280)
Miscellaneous	36,000	36,000	3,077	32,923
Computer- Equipment	15,000	15,000	-	15,000
Capital Outlay	10,000	10,000	1,525	8,475
<b>Total Township Board</b>	<b>161,500</b>	<b>161,500</b>	<b>77,475</b>	<b>84,025</b>
<b>Township Supervisor:</b>				
Salary	13,000	13,000	13,000	-
Deputy	2,400	2,400	2,400	-
Postage	1,500	1,500	828	672
Dues and Membership	250	250	70	180
<b>Total Township Supervisor</b>	<b>17,150</b>	<b>17,150</b>	<b>16,298</b>	<b>852</b>
<b>Election Board:</b>				
Salaries	1,000	1,000	-	1,000
Supplies	3,000	3,000	109	2,891
<b>Total Election Board</b>	<b>4,000</b>	<b>4,000</b>	<b>109</b>	<b>3,891</b>
<b>Township Assessor:</b>				
Contract Services	18,500	18,500	18,500	-
<b>Total Township Assessor</b>	<b>18,500</b>	<b>18,500</b>	<b>18,500</b>	<b>-</b>

**TOWNSHIP OF FOREST HOME**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED MARCH 31, 2004**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
<b>Township Clerk:</b>				
Salaries	15,500	15,500	15,500	-
Deputy Clerk	2,400	2,400	2,400	-
Postage	1,500	1,500	500	1,000
	19,400	19,400	18,400	1,000
<b>Board of Review:</b>				
Salaries	3,500	3,500	1,350	2,150
Total Board of Review	3,500	3,500	1,350	2,150
<b>Township Treasurer:</b>				
Salary	18,100	18,100	18,100	-
Deputy	4,700	4,700	4,700	-
Postage	4,000	4,000	2,953	1,047
Total Township Treasurer	26,800	26,800	25,753	1,047
<b>Township Hall:</b>				
Utilities	5,000	5,000	4,761	239
Repair and Maintenance	5,000	5,000	1,884	3,116
Total Township Hall	10,000	10,000	6,645	3,355
<b>Planning/Zoning Board:</b>				
Planning/zone Admin Wages	28,500	28,500	16,600	11,900
Legal & Professional	25,000	25,000	100	24,900
Transportation & Misc.	4,000	4,000	-	4,000
Total Planning /Zoning	57,500	57,500	16,700	40,800
Total General Government	318,350	318,350	181,230	137,120
<b>PUBLIC SAFETY</b>				
<b>Roads &amp; Streets:</b>				
Street Lighting	4,500	4,500	3,373	1,127
Roads Construction & Repair	50,000	50,000	-	50,000
Total Roads	54,500	54,500	3,373	51,127
<b>Cemetery:</b>				
Contractual Services	8,000	8,000	2,524	5,476
Capital Outlay	100,000	100,000	-	100,000
Total Cemetery	108,000	108,000	2,524	105,476

**TOWNSHIP OF FOREST HOME  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED MARCH 31, 2004**

	<b>ORIGINAL BUDGET</b>	<b>FINAL AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FROM FINAL AMENDED BUDGET</b>
<b>RECREATION</b>				
<b>Parks</b>	20,000	20,000	18,347	1,653
<b>Total Expenditures</b>	500,850	500,850	205,474	295,376
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(227,395)	(227,395)	78,764	306,159
<b>Fund Balance - Beginning of Year</b>	621,634	621,634	621,634	-
<b>Fund Balance - End of Year</b>	<u>\$ 394,239</u>	<u>\$ 394,239</u>	<u>\$ 700,398</u>	<u>\$ 306,159</u>

**TOWNSHIP OF FOREST HOME  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
ROADS FUND  
YEAR ENDED MARCH 31, 2004**

	<b>ORIGINAL BUDGET</b>	<b>FINAL AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FROM FINAL AMENDED BUDGET</b>
<b>REVENUES</b>				
Current Property Taxes	\$ 123,039	\$ 123,039	\$ 127,315	\$ 4,276
Interest	-	-	6,830	6,830
Total Revenues	123,039	123,039	134,145	11,106
<b>EXPENDITURES</b>				
Road Repairs and Maintenance	123,039	123,039	79,569	43,470
Total Expenditures	123,039	123,039	79,569	43,470
Excess (Deficiency) of Revenues over Expenditures	-	-	54,576	54,576
<b>Fund Balance - Beginning of Year</b>	262,014	262,014	262,014	-
<b>Fund Balance - End of Year</b>	<u>\$ 262,014</u>	<u>\$ 262,014</u>	<u>\$ 316,590</u>	<u>\$ 54,576</u>